

The buyer's checklist

71 things to check before you buy a business, each one skipped by a real buyer in one of 15 failed acquisitions we studied. Generated October 15, 2026 from failedacquisition.com. Educational material, not professional advice.

Thesis

- ☐ **Assign a full-time on-site operator with authority, cadence, and backfill before closing.**
Remote or part-time oversight lets sales, staffing, cash, and systems problems compound unnoticed.
Skipped in 7 of the deals we studied
- ☐ **Set add-on gates requiring stable retention, cash flow, payroll, systems, and reporting before another acquisition.**
Rolling up before the last deal stabilizes can compound integration failures and overwhelm management capacity.
Skipped in 4 of the deals we studied
- ☐ **Model exit-fit and resale affordability for likely buyers before making offers.**
Without an exit-fit test, buyers can acquire cash-flow businesses that cannot reach the desired resale market.
Skipped in 1 of the deals we studied
- ☐ **Set a minimum target size; document overhead, owner time, and debt-service feasibility before waiving it.**
Too-small deals can consume management effort while lacking earnings to cover debt, staff, and buyer overhead.
Skipped in 1 of the deals we studied
- ☐ **Write a buy box covering industry economics, recurrence, sales model, required capabilities, and non-transferable playbooks.**
Assuming your prior playbook transfers can hide unfamiliar sales cycles, labor constraints, and margin structures.
Skipped in 3 of the deals we studied
- ☐ **Write a personal downside plan covering maximum loss, unpledged assets, family runway, and employment fallback.**
If the deal fails, the buyer can lose personal assets and income before a recovery plan exists.
- ☐ **Map competing acquirers, labor costs, supplier costs, and supportable add-on prices before committing to roll-up thesis.**
Ignoring the buyer landscape can make add-ons unavailable or available only at value-destroying prices.
Skipped in 1 of the deals we studied

Sourcing

- ☐ **Ask why strategic buyers passed and document the answers.**
Assuming you found a hidden gem can mask structural problems experienced buyers already rejected.
Skipped in 1 of the deals we studied
- ☐ **Maintain weekly on-market and proprietary outreach pipelines so scarcity does not drive weak deals.**
A thin pipeline makes marginal deals feel irreplaceable and encourages waived standards.
Skipped in 1 of the deals we studied
- ☐ **Screen sellers for litigation, tax liens, IRS issues, references, and commingled personal expenses.**
Dishonest or distressed sellers can hide liabilities, distort earnings, and waste diligence spend.
Skipped in 1 of the deals we studied

- ☐ **Benchmark three similar companies for gross margin, lead sources, job mix, and repeat frequency before LOI.**
Without comparables, weak margins, poor leads, or low repeat revenue can look normal.

LOI

- ☐ **Approve only assignable, affordable leases with confirmed fees, guarantees, deposits, and release terms.**
Unresolved or unaffordable leases can create blocked assignments, surprise guarantees, disputes, or years of preventable losses.
Skipped in 3 of the deals we studied
- ☐ **Confirm required license holders and price compliant alternatives before granting equity or valuing continuity.**
Depending on one license holder can force bad economics, governance concessions, or operational shutdowns.
Skipped in 3 of the deals we studied
- ☐ **Require independent signoff on buy-box fit, valuation, risks, anomalies, and proceed rationale.**
A fatigued or emotionally invested buyer can rationalize criteria violations and keep chasing a weak deal.
- ☐ **Define AR, inventory, backlog, WIP, working-capital target, and closing true-up formula in the LOI.**
Undefined calculations create late price disputes, surprise funding needs, and arguments over who earned project profits.
Skipped in 1 of the deals we studied
- ☐ **Write LOI access rights for native files, bank statements, tax returns, contracts, payroll, and walk-away rights.**
Missing access rights can block verification of earnings, deposits, contracts, or talent before exclusivity expires.
Skipped in 2 of the deals we studied
- ☐ **Set a minimum diligence period and refuse urgency, illness, or broker pressure to waive checklist items.**
Emotional deadlines can push buyers to accept unverified claims and close before discovering fatal issues.
Skipped in 1 of the deals we studied
- ☐ **Build payer-by-payer reimbursement, claim-volume, denial, and compliance models before pricing healthcare revenue.**
Reported revenue can collapse if payer economics, denials, or compliance limits differ from seller summaries.
Skipped in 1 of the deals we studied

Due diligence

- ☐ **Map seller-dependent leadership roles to skills, replacements, backups, and operator capacity before valuing earnings.**
If the seller cannot stay or must be removed, revenue and compliance can lose their sustaining role.
Skipped in 7 of the deals we studied
- ☐ **Verify the sales engine using CRM data, lead sources, cohorts, referral calls, and closed-won evidence.**
Unproven sales channels make future growth depend on hope instead of a repeatable process.
Skipped in 4 of the deals we studied
- ☐ **Rebuild monthly earnings and run-rate from financials, bank records, add-backs, working capital, backlog, and one-time jobs.**
Trailing annual earnings can hide current losses, revenue decline, cash burn, or nonrecurring large jobs.
Skipped in 6 of the deals we studied

- ☐ **Trace sample jobs from source record through billing, collection, bank-cleared payment, payroll, and vendor payment.**
Revenue and cash timing can look real in summaries while failing source-document and bank verification.
Skipped in 3 of the deals we studied
- ☐ **Build transaction-level gross margins by service line, customer type, salesperson, job size, and seller-originated work.**
Average margins can hide services, customers, salespeople, or job types that actually lose money.
Skipped in 4 of the deals we studied
- ☐ **Inspect inventory aging by SKU and require plans for stale stock.**
Slow-moving inventory can trap cash and require write-downs after closing.
Skipped in 2 of the deals we studied
- ☐ **Stress-test profit after losing each seller, salesperson, referral source, or ultimate decision-maker.**
Hidden relationship concentration can break revenue and debt-service assumptions when key people or accounts leave.
Skipped in 5 of the deals we studied
- ☐ **Benchmark customer pricing and review overbilling exposure before valuing contract revenue.**
Mispriced or overbilled contracts can trigger renegotiations, refunds, audits, lawsuits, or lower margins.
Skipped in 1 of the deals we studied
- ☐ **Vet retained sellers and clinical leaders for background, litigation, licenses, sanctions, malpractice, credit, and stress references.**
A compromised retained leader can import fraud, regulatory, reputation, or governance risk after closing.
Skipped in 2 of the deals we studied
- ☐ **Test workflows and leader buy-in before changes; define roles, decision rights, and blocker replacements.**
Inherited leaders who oppose the plan can stall reporting, system adoption, and operational control.
Skipped in 6 of the deals we studied
- ☐ **Review any owner's existing business for debts, open jobs, separation controls, and wind-down deadlines.**
Outside businesses can import liabilities, consume shared resources, and keep owners competing with the acquired company.
Skipped in 1 of the deals we studied
- ☐ **Review active jobs for percent-complete, billings, deposits, actual costs, cost-to-complete, and remaining margin.**
Unfinished work can contain overstated revenue, unearned deposits, or inherited losses hidden by summary reports.
Skipped in 5 of the deals we studied
- ☐ **Interview key staff, benchmark pay, test replacement capacity, and agree retention bonuses before final valuation.**
Critical employees may leave, demand raises, or be harder to replace than the model assumes.
Skipped in 7 of the deals we studied
- ☐ **Annualize current employee and contractor costs from rosters, pay rates, start dates, and payment history.**
Ignoring run-rate labor costs makes reported annual profit look higher than the business can sustain.
- ☐ **Have an industry expert review key employee credentials, licenses, and deliverables against the customer promise.**
The business may be selling expertise that staff cannot consistently deliver after closing.
Skipped in 1 of the deals we studied

- ☐ **Ask written seller questions on every material cost, revenue, or headcount timing anomaly.**
Unexplained timing changes can hide recurring expenses, disappearing revenue, or unsupported add-backs.
- ☐ **Maintain a shared issue tracker and valuation bridge; raise supported price changes as findings arise.**
Late or unsupported retrade destroys trust and can collapse an otherwise salvageable transaction.
- ☐ **Review insurance requirements, claims history, classifications, injury logs, certificates, and buyer-name coverage quotes.**
Hidden claims or coverage gaps can leave the buyer underinsured, over budget, or exposed to inherited liabilities.
Skipped in 2 of the deals we studied
- ☐ **Call customers, suppliers, former employees, and competitors to test seller reputation and trust concerns.**
Hidden distrust can damage collections, supplier credit, customer retention, and employee cooperation after closing.
Skipped in 1 of the deals we studied
- ☐ **Secret-shop customer interactions and review feedback to diagnose service, staff, management, or product problems.**
Without direct customer evidence, buyers can misdiagnose marketing problems as operational failures, or vice versa.
Skipped in 1 of the deals we studied
- ☐ **Separate recurring repair revenue from project, capex, or surge work; stress-test sharply lower bookings.**
Temporary project demand can make earnings look durable and support debt the business cannot carry.
Skipped in 1 of the deals we studied
- ☐ **Verify trust-accounting rules and reconciliations before closing; implement monthly owner-balance reviews by handoff.**
Mishandled client funds can create disputes, regulatory problems, cash shortfalls, and unusable financial statements.
Skipped in 1 of the deals we studied
- ☐ **Treat unresolved seller-integrity concerns as go/no-go issues through a written risk memo.**
Deal structure may reduce losses but cannot make a fraudulent counterparty safe to buy from.
Skipped in 1 of the deals we studied
- ☐ **Map manual handoffs and price system fixes, extra labor, error risk, and working-capital cushion.**
Broken processes can require unexpected spending, staff time, and cash before operations stabilize.
- ☐ **Hire field-specific billing auditors to test charts, claims, remittances, deposits, and audit history.**
General accounting diligence can miss noncompliant billing that creates repayment, sanction, or shutdown risk.
Skipped in 1 of the deals we studied
- ☐ **Require diligence providers to document exceptions, independent evidence, and findings cleared only by seller explanation.**
Seller explanations can falsely clear issues when advisors do not verify them independently.
Skipped in 1 of the deals we studied
- ☐ **Have counsel confirm payer, licensing, Medicaid, and attorney-general investigations or restrictions in writing.**
Hidden investigations or payer restrictions can erase revenue and create regulatory exposure immediately after closing.
Skipped in 1 of the deals we studied
- ☐ **Interview frontline staff about audits, denials, unusual billing, operational concerns, and what to investigate.**
Employees often know compliance and operating problems that sellers will not volunteer.
Skipped in 1 of the deals we studied

Financing

- ☐ **Verify capital commitments and sources-and-uses, including closing costs, working capital, transition payroll, and backups.**
Vague or incomplete funding plans can leave the buyer unfunded after exclusivity or unable to operate after closing.
Skipped in 2 of the deals we studied
- ☐ **Stress-test weekly cash flow and debt service under verified earnings, churn, payroll timing, and collection shocks.**
Summary profitability and base-case debt models can hide cash gaps that prevent paying crews, vendors, or lenders.
Skipped in 6 of the deals we studied
- ☐ **Choose investor aggregation or minimum checks before confirming cap-table, accreditation, wire, and lender-documentation requirements.**
A messy investor base can delay lender approval, funding logistics, and closing wires.
Skipped in 1 of the deals we studied
- ☐ **Choose a lender with workout contacts and predefine counsel-led deferment or sale proposals for distress.**
Origination-only lenders and unclear contacts can delay workouts or distressed sale approvals when cash is tight.
Skipped in 1 of the deals we studied
- ☐ **Review guarantee default scenarios, exposed personal assets, and protected liquidity with spouse, counsel, and lender.**
Buyers may not understand which family assets are at risk until default or bankruptcy is unavoidable.

Closing

- ☐ **Retain independent licensed deal counsel for each buyer-side principal before signing governance documents.**
Conflicted or unlicensed counsel can leave you with unenforceable documents and no advocate for your interests.
Skipped in 1 of the deals we studied
- ☐ **Put deadlock, buy-sell, removal, non-solicit, capital-call, default, and exit rights in governance documents.**
Without these rights, partner deadlock or misconduct can trap the company with no practical remedy.
Skipped in 1 of the deals we studied
- ☐ **Require approved bank, card, accounting, purchasing, and job-cost accounts with role-based access and dual approvals.**
Uncontrolled spending and coding let owners divert cash, hide costs, or commingle outside obligations.
Skipped in 2 of the deals we studied
- ☐ **Prepare a closing transition package covering cash, payroll, insurance, suppliers, customers, systems, access, and handover materials.**
Missing owners, dates, dependencies, or handover materials can cause preventable payroll, supplier, customer, and compliance failures.
Skipped in 9 of the deals we studied
- ☐ **Adopt a workplace violence policy banning weapons, threats, and intimidation before partners or sellers work onsite.**
Ignoring threats can endanger employees and prevent quick removal of unsafe people.
Skipped in 1 of the deals we studied

- ☐ **Secure escrows, holdbacks, true-ups, and indemnities for unfinished work, unearned revenue, taxes, and undisclosed expenses.**
If the seller is fully paid, the buyer may have no practical recovery for misstatements or inherited obligations.
Skipped in 3 of the deals we studied
- ☐ **Make seller consideration contingent on enforceable customer handoffs, backlog transfer, and non-solicitation.**
The seller can be fully paid before customers, revenue pipeline, or transition duties actually transfer.
Skipped in 4 of the deals we studied
- ☐ **Use an asset purchase or new entity unless counsel confirms all acquired-entity liabilities.**
Buying the old entity can transfer hidden debts, claims, taxes, contracts, and employee liabilities.
Skipped in 1 of the deals we studied
- ☐ **Decide rehired employees, employment terms, pay rates, and transition communications before closing.**
Unplanned employee transfers can cause wage disputes, compliance problems, resignations, and employment confusion.
Skipped in 1 of the deals we studied
- ☐ **Route material deal changes through counsel, broker, or a written issues list after LOI.**
Side-channel pressure or requests to bypass advisors create mistrust, mistakes, and deal collapse.

Integration

- ☐ **Avoid customer-facing changes until cash flow, staffing, service, and bottlenecks are stable.**
Abrupt changes can disrupt customers and employees before the buyer understands operational constraints.
Skipped in 6 of the deals we studied
- ☐ **Move lead channels into monitored company systems, audit CRM weekly, and revoke departing users immediately.**
Uncontrolled lead flow lets employees divert opportunities before management detects the loss.
Skipped in 1 of the deals we studied

Operations

- ☐ **Set stop-loss triggers for cash burn, management time, margin misses, and strategic fit before funding losses.**
Without predefined stop rules, owners keep injecting cash and attention after the recovery case has failed.
Skipped in 7 of the deals we studied
- ☐ **Send owners monthly debt-payment confirmations and alert lenders immediately about covenant or payment issues.**
Silent missed payments or covenant breaches can escalate before owners or lenders can intervene.
Skipped in 1 of the deals we studied
- ☐ **Prepare counsel-approved notices, evidence, and dispute strategy before terminating any seller-manager.**
An unplanned termination can escalate into litigation and undermine purchase-agreement remedies.
Skipped in 1 of the deals we studied
- ☐ **Run weekly operating reviews tracking sales, backlog, gross margin, cash, turnover, loan payments, and integration risks.**
Without a regular dashboard, deterioration in sales, labor, cash, or debt service can surface too late.
Skipped in 6 of the deals we studied

- ☐ **Maintain manager scorecards covering performance, values, retention, coaching, decision dates, and interim backups.**
High-output toxic managers can drive away good hires and damage the turnaround before leaders act.
Skipped in 2 of the deals we studied
- ☐ **Run monthly slow-moving inventory reports and reset reorder rules to actual unit sales.**
Old buying habits can keep converting scarce cash into inventory customers are not purchasing.
Skipped in 1 of the deals we studied
- ☐ **Compare no-move versus move downside cases before relocating; secure signed backlog, deposits, and funding.**
A move can add fixed costs and disruption before demand exists to absorb them.
Skipped in 1 of the deals we studied

Exit

- ☐ **Get broker, CPA, and counsel exit analysis before rejecting offers or funding further losses.**
Unrealistic sale-proceeds assumptions or rejected offers can turn a manageable outcome into a larger loss.
Skipped in 2 of the deals we studied